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## MEMORANDUM

**DATE:** December 12, 2000

**TO:** Michigan Economic Growth Authority

**FROM:** James Donaldson, Vice President  
Michigan Business Development

**SUBJECT:** Briefing Memo – Parker Hannifin Corporation

### COMPANY NAME AND ADDRESS:

Parker Hannifin Corporation  
6035 Parkland Boulevard  
Cleveland, Ohio 44124

### HISTORY OF COMPANY:

Parker Hannifin was founded in Cleveland, Ohio in 1939. The company, traded publicly on the New York Stock Exchange, is a global leader in creating components and systems that control motion in a broad spectrum of uses. Parker Hannifin has a diverse product line including hydraulic, pneumatic and electromechanical applications. They serve over 1,400 markets, including industrial, automotive and aerospace customers around the world. The Pneumatic Division is dedicated to the manufacture of quality pneumatic valves, air preparation units and accessories for industrial and transportation markets. Parker has 43,900 employees worldwide including 1,999 employees at 10 Michigan locations.

### PROJECT DESCRIPTION:

Parker Hannifin is considering an expansion in its Pneumatic Division in either Richland Township (Kalamazoo) or Wake Forest, North Carolina, where the company has existing facilities. The proposed project involves expanding the Richland plant by 50,000 square feet and building a 30,000 square foot administration building on the same site. This will allow for the consolidation of functions and for the anticipated growth in the Pneumatic Division. Completing the expansion would require a capital investment of \$21.8 million, including \$8.2 million in building costs and \$13.6 million in new equipment.

The company would hire up to 81 new full-time employees with an average weekly wage of \$726 and an employee benefit package worth approximately 36 percent of wages. The proposed project would also result in the relocation of approximately 140 jobs from Otsego.

Parker would begin construction as soon as possible and would complete construction by the end of 2001. Full production would take place within six months of completion of the project.

**BENEFIT TO STATE:**

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 160 jobs in the state by the year 2008. Total state government revenues through the year 2008, net of MEGA costs and adjusted for inflation, would be increased by \$3,861,000 (2000 dollars) due to the presence of this facility.

**COST ANALYSIS:**

As part of the company's decision-making process, it has undertaken a comprehensive analysis of Richland Township and Wake Forest, North Carolina. Based on figures obtained from the company, the operational cost disadvantage for Parker Hannifin to locate this expansion in Michigan rather than North Carolina totals \$6.8 million over the seven-year incentive period. The majority of the cost differential is wages and electrical costs.

**OTHER STATE AND LOCAL ASSISTANCE:**

The state of Michigan will provide Parker Hannifin with a 100 percent abatement of the six-mill State Education Tax for a period of time to match the local property tax abatement. This abatement is estimated to be worth \$477,900. In addition, the state will offer job training assistance of \$500 per job for up to 81 net new jobs, for a total of \$40,500.

Richland Township will provide a 50 percent property tax abatement for a period of 12 years on real property and six years on personal property. The value of the local abatement totals approximately \$1,341,900.

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**BUT FOR:**

The company would like to proceed with expansion plans in Michigan, however, given the cost differentials identified previously, the anticipated growth would be diverted to the North Carolina facility unless the company receives incentives to offset competitive disadvantages. This would lead to the loss of 81 new jobs as well as 123 existing jobs.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends an employment credit of 100 percent for up to 81 net new jobs and a business activity credit of 100 percent, both for a period of seven years.